

AR46



ANNUAL
REPORT
1971

Directors and Officers

Directors

NORMAN GEORGE BERNECKER	<i>President:</i>	Vulcan Industrial Packaging Limited, Toronto
ALBERT J. CAVAN, Q.C.	<i>Partner:</i>	Risk, Cavan, Garfield & Gardner, Toronto
GEORGE C. VILIM	<i>President:</i>	Canavest House Limited, Toronto
GEORGE R. ZIES	<i>Vice-President:</i>	Manufacturing and Secretary, Vulcan Industrial Packaging Limited, Toronto
JAMES B. PRENDERGAST *	<i>President and Chief Executive Officer:</i>	United Funds Management Limited, Toronto
		<i>* Elected to Board, January 28th, 1972.</i>

Officers

NORMAN GEORGE BERNECKER	<i>President</i>
ALBERT J. CAVAN, Q.C.	<i>Vice-President</i>
GEORGE R. ZIES	<i>Vice-President: Manufacturing and Secretary</i>
DOUGLAS REDDON	<i>Treasurer</i>

List of Plants and Offices

Vulcan Industrial Packaging Limited, 15 Bethridge Road, Rexdale, Ontario. Telephone: 743-8682	* Rexsteel Division 15 Bethridge Road, Rexdale, Ontario Telephone: 743-7900
* Vulcan Industrial Packaging 3525 Foster Ave., Vancouver, B.C. Telephone: 594-0484	* Canshare Distributors 44 Bethridge Road, Rexdale, Ontario Telephone: 743-3400
* Vulcan Industrial Packaging 21 St. Joseph Street, Lachine, Quebec Telephone: 487-5038	Beaverton Wire Products Limited 111 Mill St., Beaverton, Ont. 705-426-7322 (Beaverton)
* Metal Decorating 44 Bethridge Road, Rexdale, Ontario Telephone: 743-4570	* Divisions of Vulcan Industrial Packaging, Limited.

Notice to Shareholders of Annual General Meeting

The Annual Meeting of Shareholders will be held at the Royal York Hotel, in the Nova Scotia Room, 100 Front Street West, Toronto, Ontario, on Tuesday, the 11th day of April, 1972, at 10.00 O'clock in the morning. Shareholders are cordially invited to attend this meeting.

FINANCIAL HIGHLIGHTS

Years ended December 31

(thousands of dollars)

OPERATIONS

	1971	1970
Sales	\$7,714	6,740
Income before taxes	795	879
Income taxes	382	447
Net income	413	432
Capital expenditures	536	655
Provision for depreciation	202	141

FINANCIAL POSITION

Working capital	1,355	897
Fixed assets — net	2,655	2,197
Long-term debt	1,573	964
Deferred income taxes	418	394
Shareholders' equity	2,082	1,770

PER SHARE

Net income	1.02	1.00 *
Dividends25	.20
Shareholders' equity	5.12	4.35
Shareholders' equity including fixed asset appraisal ..	10.77	9.19

STATISTICAL

Number of employees	243
Number of shareholders	519

* Excludes extraordinary item of \$.06 per share.

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PRESIDENT'S REPORT



TO THE SHAREHOLDERS:

Early in 1971 negotiations were completed for the purchase of Beaverton Specialties Limited, a manufacturer of wire formed products. This acquisition was effective on April 1, 1971. Subsequently, we applied to the Department of Financial and Commercial Affairs for a change of name for this wire division in Beaverton, Ontario in order to more readily identify the manufacturing operation. This application was approved and the name was changed to Beaverton Wire Products Limited as of July 16, 1971.

SALES

Overall operations in 1971 were \$7,713,508 as compared to \$6,739,972 in 1970, an increase of 14.4%.

NET PROFITS:

Net profit of \$413,205 for 1971 compared with \$407,096 in 1970 (before extraordinary item), reflects an increase of 1.5% which was achieved in a period where we absorbed rising steel and labour costs.

EARNINGS PER SHARE:

Earnings per share for the year 1971 amounted to \$1.02 as compared to \$1.00 per share for the year of 1970 (excluding extraordinary item).

LABOUR RELATIONS:

Our collective agreement with the United Steelworkers expires December 31, 1972 and the collective agreement with the Amalgamated Lithographers' Association covering our Metal Decorating employees expires October 31, 1972.

OUTLOOK FOR 1972:

Over the past eighteen months in the container division we have concentrated on new products development and we have been able to increase our product lines on specialty tin cans, small lithographed tin cans and new products on our pail lines. Growth is expected in both the Metal Decorating Division and our latest acquisition, Beaverton Wire Products Limited and we are looking forward to favourable results in 1972.

On behalf of the Board, I would like to thank all our employees for their loyal support and the contributions which they made in making 1971 a successful year.

Norman G. Bernicker

President

SOME OF OUR PRODUCTS



Our three steel pail lines, as well as our three tin can lines, were kept busy during 1971 producing containers for a wide variety of products which included adhesives, sealing compounds, a multitude of petroleum products, food products, paints and enamels, various coatings, nuts, bolts, flavourings and extracts, herbicides, pesticides, printing inks, specialty chemicals, metal fittings and fasteners, to name only a few.

Efforts in research and development continually add new products and customers to our growing lists. This year the new items included vacuum cleaner components, penny banks, pencil caddies, toys and other ideas. Groundwork was laid for new products in the fields of building construction, leisure products and boutique retail specialties.

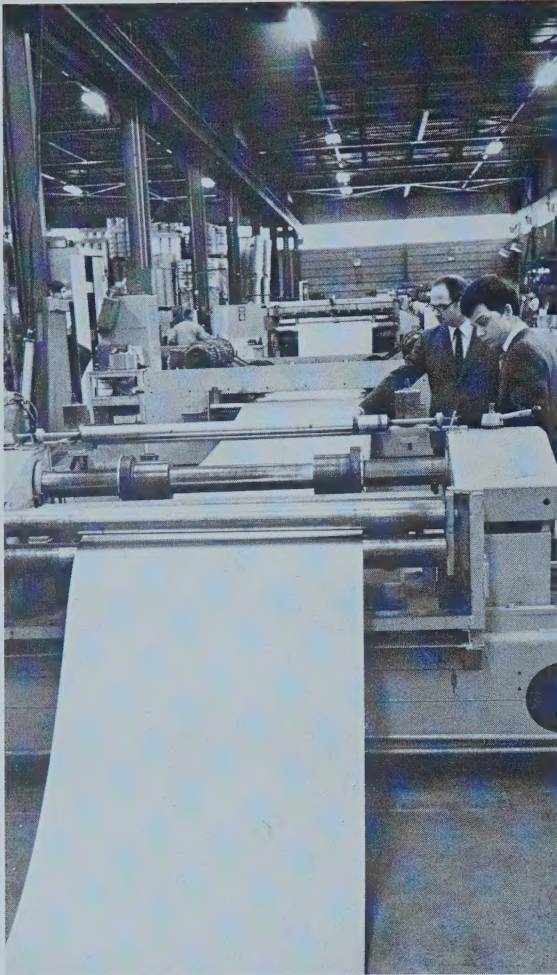
It is anticipated that new areas will be opened in conjunction with our Wire Division which would enable us to produce items comprised of metal sheet and wire. Optimism and creativity, as always, are driving forces in establishing our new ideas.



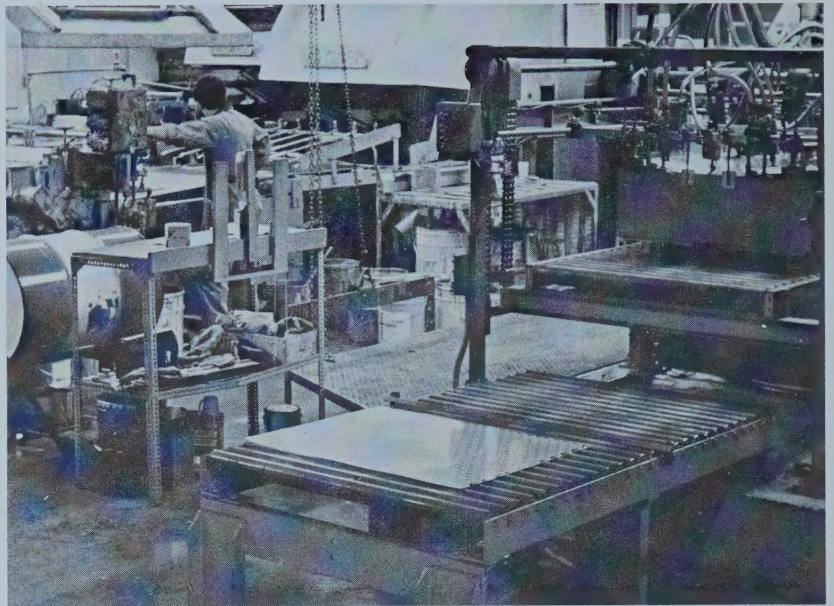
1971 was the first full year of production on the 42" Crabtree printing press at our Metal Decorating Lithographers Division.

This new light gauge printing line has the largest sheet size capacity of any press producing custom lithography in Canada and strengthens this Division's competitive position in their market. The line also has special attachments made for the running of scrolled tinplate used in the production of can ends, and the first order lithographed in 1971 proved very satisfactory.

Metal Decorating's future growth will, to a large part, be realized through the lithographed metal food can. This is a high volume business which our new light gauge printing line is set up to run and the customer approval of our initial orders has been very gratifying. We are still experiencing increases in other market areas such as toys, metal ends for fibre cans, mufflers, bottle caps, razor blade dispensers, battery cases and recently we added a new customer to our list which has introduced us to the lithography of beverage crowns.



Sheet metal for container fabrication being cut in Rexsteel division plant.



Colorful design and identification for wide range of products are printed on metal by Metal Decorating Lithographers Ltd., division of VIP.

Large new VIP warehouse has storage capacity for over a quarter-million containers.





Modern VIP containers fabricating equipment is fully automated for maximum efficiency.



Shrink-wrapping protects VIP containers during shipment to customers from coast to coast.



New VIP warehouse facilities and fleet of trucks permit prompt shipments direct to customers.

CONSOLIDATED BALANCE SHEET

December 31, 1971

(with comparative figures at December 31, 1970)

ASSETS

CURRENT ASSETS

	<u>1971</u>	<u>1970</u>
Cash	\$ 84,718	\$ 70,936
Accounts receivable	733,011	743,263
Inventories (note 2)	1,435,589	1,105,536
Income taxes recoverable	51,331	
Prepaid expenses	10,465	75,827
	<u>2,315,114</u>	<u>1,995,562</u>

FIXED ASSETS (note 3)

Land, buildings, plant machinery and equipment, at cost . . .	4,388,069	3,593,872
Less accumulated depreciation	1,732,641	1,397,350
	<u>2,655,428</u>	<u>2,196,522</u>

OTHER ASSETS

Deferred research and development costs less amortization .	24,444	
Life insurance, cash surrender value	38,643	34,287
	<u>63,087</u>	<u>34,287</u>
	<u>\$5,033,629</u>	<u>\$4,226,371</u>

Approved by the Board

Norman G. Bernecker, Director

Albert J. Cavan, Director

AUDITORS' REPORT

To the Shareholders of
Vulcan Industrial Packaging Limited

We have examined the consolidated balance sheet of Vulcan Industrial Packaging Limited and subsidiary company as at December 31, 1971 and the consolidated statements of income and retained

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 766,511	\$ 829,493
Income and other taxes payable	6,419	58,179
Principal due within one year on long term debt	187,176	210,499
	<u>960,106</u>	<u>1,098,171</u>

LONG-TERM DEBT (note 4)

Bank loan, payable \$100,000 annually	1,400,000	700,000
7% Mortgage payable, maturing December 1, 1974	25,370	32,732
Equipment leases payable	334,774	442,040
	<u>1,760,144</u>	<u>1,174,772</u>
Less principal included in current liabilities	187,176	210,449
	<u>1,572,968</u>	<u>964,273</u>
DEFERRED INCOME TAXES (note 5)	<u>418,600</u>	<u>393,500</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized — 1,000,000 common shares of no par value		
Issued — 406,710 shares	760,003	760,003
RETAINED EARNINGS	<u>1,321,952</u>	<u>1,010,424</u>
	<u>2,081,955</u>	<u>1,770,427</u>
	<u>\$5,033,629</u>	<u>\$4,226,371</u>

earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application

of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis constant with that of the preceding year.

Toronto, Canada

February 18, 1972

THORNE, GUNN, HELLIWELL & CHRISTENSON

Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended December 31, 1971

(with comparative figures for 1970)

	1971	1970
SALES	<u>\$7,713,508</u>	<u>\$6,739,972</u>
EXPENSE		
Cost of sales and operating expenses exclusive of the following items	6,584,261	5,651,978
Depreciation (note 3)	201,939	141,338
Interest on long term debt	<u>131,903</u>	<u>92,060</u>
	6,918,103	5,885,376
Income before undernoted items	<u>795,405</u>	<u>854,596</u>
Income taxes (note 5)		
Current	355,000	340,600
Deferred	<u>27,200</u>	<u>106,900</u>
	382,200	447,500
INCOME FROM OPERATIONS	<u>413,205</u>	<u>407,096</u>
Extraordinary item		
Net gain on sale of fixed assets, including deferred income taxes of \$6,000 on related losses		<u>25,312</u>
NET INCOME FOR THE YEAR	413,205	432,408
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>1,010,424</u>	<u>659,358</u>
	1,423,629	1,091,766
Dividends	<u>101,677</u>	<u>81,342</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$1,321,952</u>	<u>\$1,010,424</u>
EARNINGS PER SHARE		
Income from operations	\$1.02	\$1.00
Extraordinary item		<u>.06</u>
Net income for the year	<u>\$1.02</u>	<u>\$1.06</u>
DIVIDENDS PER SHARE	<u>\$.25</u>	<u>\$.20</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1971

(with comparative figures for 1970)

	1971	1970
SOURCE OF FUNDS		
Income from operations	\$ 413,205	\$ 407,096
Items not involving current funds		
Depreciation	201,939	141,338
Deferred income taxes	27,200	106,900
	<u>642,344</u>	<u>655,334</u>
Increase in bank loan	800,000	
Proceeds from sale of fixed assets	10,950	224,681
Increase in equipment leases, principal amount		408,869
	<u>1,453,294</u>	<u>1,288,884</u>
 APPLICATION OF FUNDS		
Additions to fixed assets	535,787	654,856
Reduction in non-current portion of long term debt	191,305	361,964
Acquisition of shares of subsidiary for \$210,000 less working capital at date of acquisition	140,208	
Dividends	101,677	81,342
Other	26,700	4,307
	<u>995,677</u>	<u>1,102,469</u>
 INCREASE IN WORKING CAPITAL	457,617	186,415
 WORKING CAPITAL AT BEGINNING OF YEAR	897,391	710,976
 WORKING CAPITAL AT END OF YEAR	<u>\$1,355,008</u>	<u>\$ 897,391</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1971

1. PRINCIPLES OF CONSOLIDATION

Included in the consolidation are the accounts of the wholly owned subsidiary, Beaverton Wire Products Limited from acquisition on April 1, 1971.

2. INVENTORIES

	1971	1970
Raw materials	\$ 317,220	\$ 263,525
Work in process	787,088	595,774
Finished goods	331,281	246,237
	<u>\$1,435,589</u>	<u>\$1,105,536</u>

Raw materials and work in process are valued at the lower of cost and net realizable value and finished goods are valued at selling price less normal gross profit margins.

3. FIXED ASSETS

	1971		1970	
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 99,546		\$ 99,546	\$ 92,046
Buildings	1,149,756	326,612	823,144	495,471
Plant Machinery and equipment	3,138,767	1,406,029	1,732,738	1,609,005
	<u>\$4,388,069</u>	<u>\$1,732,641</u>	<u>\$2,655,428</u>	<u>\$2,196,522</u>

Depreciation is computed on a straight line basis based on estimated useful life. An appraisal of buildings, plant machinery and equipment made on April 30, 1968 and updated to March 31, 1971 by General Appraisal Company shows that appraised values exceed depreciated costs of these assets at that date by \$2,296,800, a computed increase in equity of \$5.65 per share. The appraisal does not include additions of \$498,652 since March 31, 1971 and land which has increased considerably in value. Plant machinery and equipment include assets under lease on which the company intends to exercise purchase options.

4. LONG TERM DEBT

Bank loan — The bank loan is secured by a general assignment of book debts, a demand debenture for \$1,500,000 and hypothecation of shares of Beaverton Wire Products Limited.

Equipment leases payable — The company has entered into lease agreements relating to certain items of plant machinery and equipment. As it is the company's intention at the expiration of the lease agreements at varying dates to 1978 to exercise purchase options for nominal consideration, the fixed assets have been capitalized in the company's accounts at the principal amount of the lease rental payments. The minimum annual payments required in each of the next five years on these leases (including finance charges) are as follows:

1972	\$126,216
1973	96,633
1974	92,886
1975	91,637
1976	91,637

5. DEFERRED INCOME TAXES

The company charges earnings with income taxes currently payable and also with income taxes deferred by following the practice of claiming maximum allowances in calculating income for tax purposes. The accumulated total of such income tax deferments is reflected in the balance sheet as "Deferred income taxes."

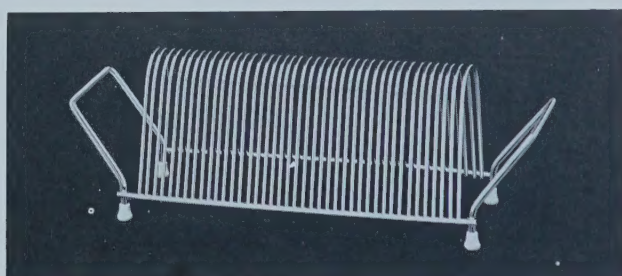
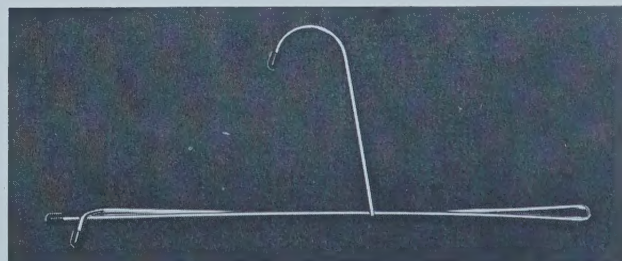
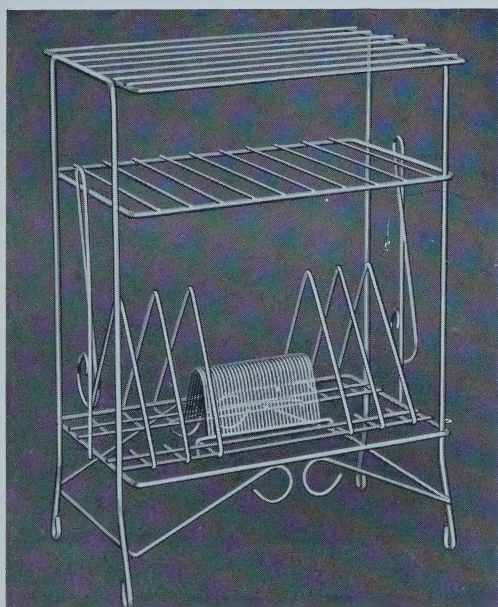
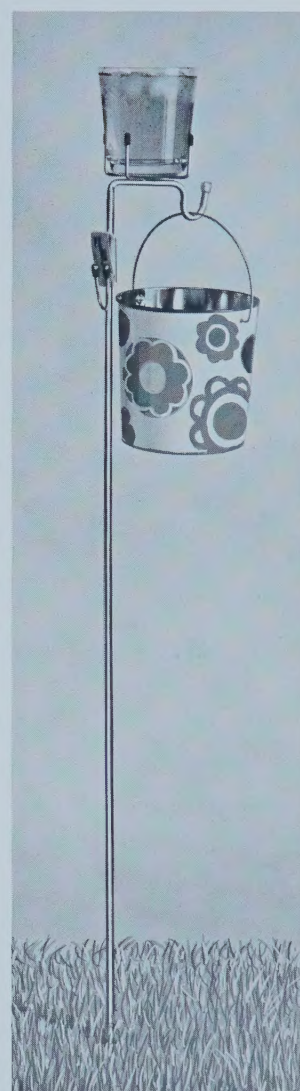
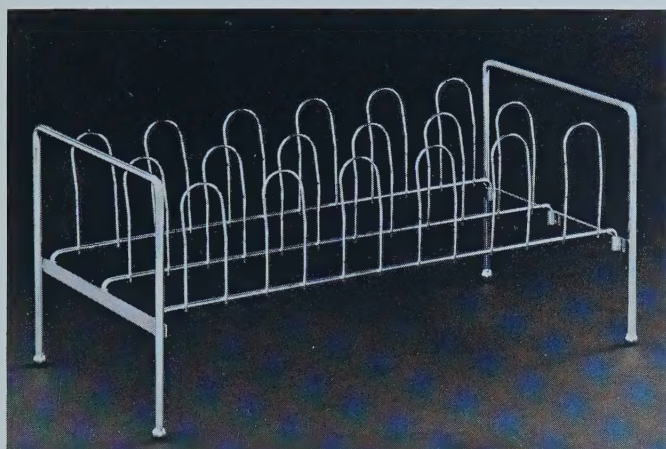
6. DIRECTORS AND OFFICERS
REMUNERATION

	1971	1970
Number of directors	4	4
Remuneration of directors	\$ 1,800	\$ 1,200
Number of officers	4	3
Remuneration of officers as officers	\$91,236	\$77,084
Number of officers who are directors	3	3

OUR NEW ACQUISITION:

BEAVERTON WIRE PRODUCTS LIMITED

111 Mill St. Beaverton, Ontario



FINANCIAL SUMMARY

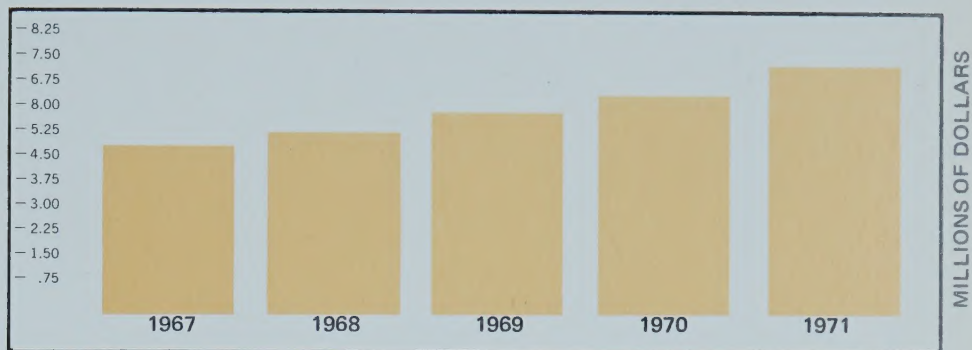
(thousands of dollars)

	1971	1970	1969	1968	1967
OPERATIONS					
Sales	\$ 7,714	\$ 6,740	\$ 6,118	\$ 5,572	\$ 5,301
Income before income taxes	795	879	571	318	136
Income taxes	382	447	293	162	62
Net income	413	432	278	156	74
FINANCIAL POSITION					
Working capital	1,355	897	711	586	534
Fixed assets — net	2,655	2,197	1,888	1,974	1,950
Other assets	63	34	67	99	101
	4,073	3,128	2,666	2,659	2,585
Long-term debt	1,573	964	954	1,122	1,239
Deferred income taxes	418	394	293	311	235
	1,991	1,358	1,247	1,433	1,474
Shareholders' equity	2,082	1,770	1,419	1,226	1,111
SOURCE AND APPLICATION OF FUNDS					
Net income (before extraordinary item in 1970)	413	407	278	156	74
Depreciation	202	141	212	197	179
Deferred income taxes	27	107	(19)	76	54
Operations	642	655	471	429	307
Increase in bank loan	800				
Proceeds from sale of fixed assets	11	225			
	1,453	880	471	429	307
Capital expenditures — net	536	655	127	221	240
Long-term debt reduction	191	(47)	155	114	19
Dividends	102	81	61	41	41
Acquisition of shares of subsidiary less working capital	140				
Other	26	4	3	1	4
	995	693	346	377	304
Increase in working capital	458	187	125	52	3
PER SHARE					
Net income	1.02	1.00 *	.68	.38	.18
Dividends	.25	.20	.15	.10	.10
Shareholders' equity	5.12	4.35	3.49	3.01	2.73
Shareholders' equity including fixed asset appraisal	10.77	9.19	8.14	7.66	

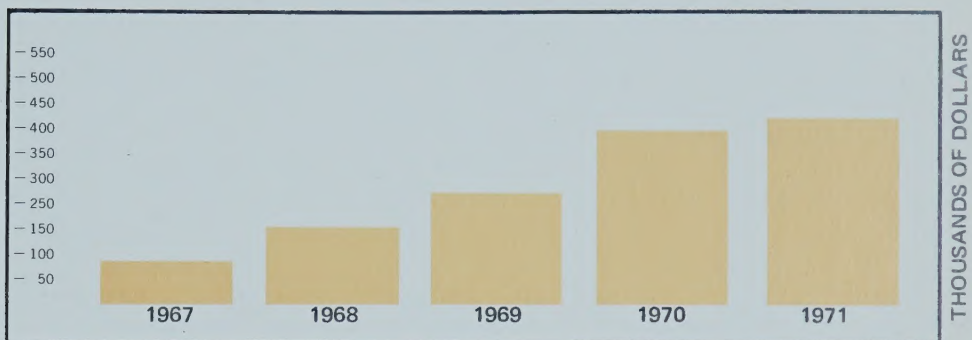
*Excludes extraordinary item of \$.06 per share.

FIVE YEAR SUMMARY

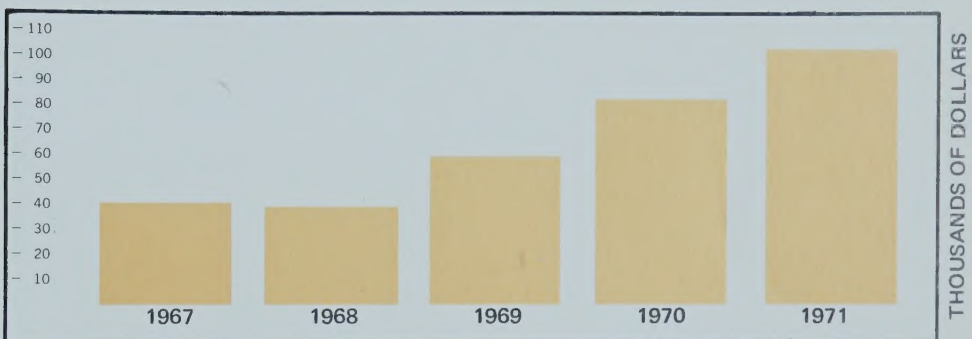
Sales



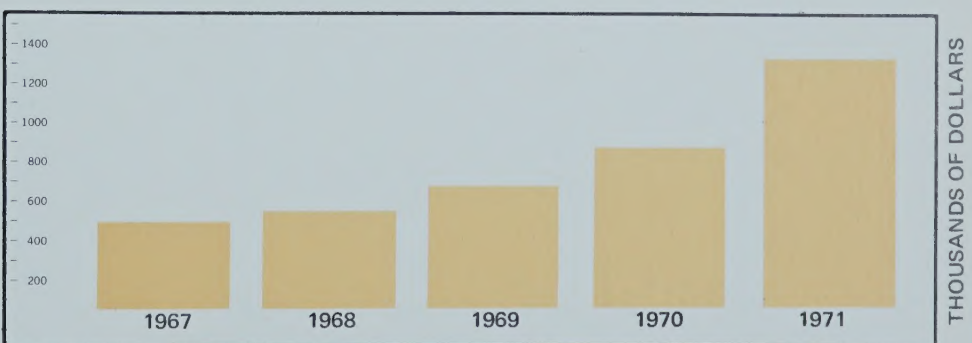
Net Income





Dividends



Working Capital



Shareholders' Equity

 Including Fixed Asset Appraisal
 Excluding Fixed Asset Appraisal

